

**PRICE MUNICIPAL CORPORATION**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**BASIC FINANCIAL STATEMENTS**  
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### INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Price Municipal Corporation, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of Price Municipal Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

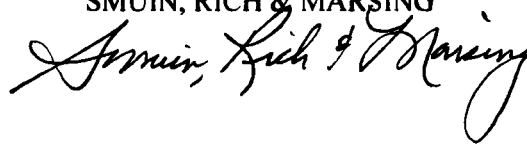
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Price Municipal Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2005, on our consideration of Price Municipal Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and analysis and budgetary comparison information on pages 3 through 13 and 54 through 56 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Price Municipal Corporation's basic financial statements. The combining and individual nonmajor fund statements and schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Price Municipal Corporation. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING



Price, Utah

September 20, 2005

**PRICE MUNICIPAL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
2004-2005**

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Our discussion and analysis of Price City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS**

- ❖ The City's total net assets decreased \$1,297,941 as a result of this year's operations. Net assets of our business-type activities decreased by \$241,372, which is 1.4 percent, and net assets of our governmental activities decreased by \$1,056,569, or 8.5 percent.
- ❖ The expenses of \$7.3 million were \$1.9 million more than the revenues received of \$5.4 million for governmental activities. This is slightly lower than last year when expenses were \$2.3 million more than revenue.
- ❖ In the City's business-type activities, revenues were \$6.8 million, a 5.1 percent decrease from last year. Expenditures were \$6.3 million, which is a 2.2 percent decrease.
- ❖ The governmental activities reported a deficiency of \$1,056,569 after transfers. The business-type activities reported a deficiency of \$241,372 after transfers.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

**REPORTING THE CITY AS A WHOLE**

Our analysis of the City as a whole begins on page 14. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water lines, sewer lines, drainage systems, electrical facilities and other capital assets to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- ❖ **Governmental activities**—Most of the City's basic services are reported here, including the police, fire, highway, public improvements, parks departments and general administration. Property taxes, franchise fees, sales taxes and state and federal grants finance most of these activities.
- ❖ **Business-type activities**—The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems and electric facilities are reported here.

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 16. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like CDBG projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- ❖ **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.
- ❖ **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or the other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's Information Systems Fund.

### **The City as Trustee**

The City is a trustee—it is responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The City as a Whole

The City's *combined* net assets decreased slightly from a year ago—decreasing from \$29.5 million to \$28.2 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 2,431,929	\$ 2,641,884	\$ 4,510,315	\$ 4,622,378	\$ 6,942,244	\$ 7,264,262
Capital assets	10,353,561	11,072,746	23,254,018	23,443,477	33,607,579	34,516,223
Total assets	\$ 12,785,490	\$ 13,714,630	\$ 27,764,333	\$ 28,065,855	\$ 40,549,823	\$ 41,780,485
Long-term debt outstanding	\$ 296,413	\$ 342,468	\$ 10,166,548	\$ 10,028,488	\$ 10,462,961	\$ 10,370,956
Other liabilities	1,093,040	919,556	778,081	976,291	1,871,121	1,895,847
Total liabilities	\$ 1,389,453	\$ 1,262,024	\$ 10,944,629	\$ 11,004,779	\$ 12,334,082	\$ 12,266,803
Net assets:						
Invested in capital assets, net of debt	\$ 10,291,161	\$ 10,846,493	\$ 12,997,456	\$ 13,402,729	\$ 23,288,617	\$ 24,249,222
Restricted	252,064	399,379	2,157,926	2,137,257	2,409,990	2,536,636
Unrestricted	852,812	1,206,734	1,664,322	1,521,090	2,517,134	2,727,824
Total net assets	\$ 11,396,037	\$ 12,452,606	\$ 16,819,704	\$ 17,061,076	\$ 28,215,741	\$ 29,513,682

Net Assets of the City's governmental activities decreased by 8.5 percent (\$11.4 million compared to \$12.5 million in 2004). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$1.21 million at June 30, 2004, to \$852,812 at the end of this year.

Net Assets of our business-type activities decreased 1.4 percent (\$16.8 million compared to \$17.1 million in 2004.). *Unrestricted* net assets for this group amount to \$1,664,322. These net assets are used to finance the continuing operations of the water, sewer, electric and swimming pool funds.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 725,498	\$ 712,597	\$ 6,784,431	\$ 7,150,236	\$ 7,509,929	\$ 7,862,833
Operating grants and cont.	438,105	502,481			438,105	502,481
Capital grants and cont.	181,137	34,078			181,137	34,078
<b>General Revenues:</b>						
Property taxes	982,071	973,143			982,071	973,143
Sales taxes	2,951,634	2,858,509			2,951,634	2,858,509
Other general revenues	75,448	33,427	142,192	78,197	217,640	111,624
Total revenues	\$ 5,353,893	\$ 5,114,235	\$ 6,926,623	\$ 7,228,433	\$ 12,280,516	\$ 12,342,668
<b>Program Expenses</b>						
General government	\$ 1,653,545	\$ 1,658,779			\$ 1,653,545	\$ 1,658,779
Public safety	1,842,094	1,877,161			1,842,094	1,877,161
Highways and public improv.	2,402,747	2,663,053			2,402,747	2,663,053
Parks and recreation	843,223	976,036			843,223	976,036
Economic development	45,265	27,919			45,265	27,919
Intergovernmental	61,100	61,100			61,100	61,100
Capital outlay	415,105	128,426			415,105	128,426
Interest on long-term debt	4,533	10,952			4,533	10,952
Water and sewer			\$ 2,639,849	\$ 2,962,907	2,639,849	2,962,907
Electric			3,062,267	2,895,079	3,062,267	2,895,079
Pool			572,214	555,257	572,214	555,257
Price Community Center			36,515	37,174	36,515	37,174
Total expenses	\$ 7,267,612	\$ 7,403,426	\$ 6,310,845	\$ 6,450,417	\$ 13,578,457	\$ 13,853,843
Excess (deficiency) before transfers	\$ (1,913,719)	\$ (2,289,191)	\$ 615,778	\$ 778,016	\$ (1,297,941)	\$ (1,511,175)
Transfers	857,150	1,032,986	(857,150)	(1,032,986)		
Change in net assets	\$ (1,056,569)	\$ (1,256,205)	\$ (241,372)	\$ (254,970)	\$ (1,297,941)	\$ (1,511,175)
Net Assets - beginning	\$ 12,452,606	\$ 13,689,268	\$ 17,061,076	\$ 17,335,589	\$ 29,513,682	\$ 31,024,857
Prior period adjustment		19,543		(19,543)		
Net Assets - ending	\$ 11,396,037	\$ 12,452,606	\$ 16,819,704	\$ 17,061,076	\$ 28,215,741	\$ 29,513,682

The City's total revenues decreased by 0.5 percent (\$62,152). The total cost of all programs and services decreased \$275,386 or 2.0 percent, with one new program added this year; human resources. Our analysis below separately considers the operations of governmental and business-type activities.

### Governmental Activities

Revenues for the City's governmental type activities increased by 4.7 percent (\$239,658), while total expenses decreased 1.8 percent (\$135,814). Property taxes increased by 1.0 percent, and sales taxes increased by 3.3 percent. The largest source of funds was sales taxes followed by the transfer of funds from the Electric Fund, property taxes, and highway taxes. Net assets for governmental activities decreased \$1,056,569 in 2005. This compares to a \$1,256,205 decrease in net assets in 2004.

The cost of all governmental activities this year was \$7.3 million compared to \$7.4 million last year. As shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$3.9 million because some of the cost was paid by those who directly benefited from the programs (\$725,498) or by other governments and organizations that subsidized certain programs with grants and contributions (\$619,242). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from \$1.2 to \$1.3 million.

Table 3 presents the cost of each of the City's four largest programs—general government, public safety, highways and public improvements, and parks and recreation—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2005	2004	2005	2004	2005	2004
<b>Primary government</b>						
Governmental activities:						
General government	\$ 1,653,545	\$ 1,658,779	\$ 371,913	\$ 330,757	\$ (1,281,632)	\$ (1,328,022)
Public safety	1,842,094	1,877,161	187,779	153,568	(1,654,315)	(1,723,593)
Highways and public improvements	2,402,747	2,663,053	586,101	652,850	(1,816,646)	(2,010,203)
Parks and recreation	843,223	976,036	194,274	110,571	(648,949)	(865,465)
Other	526,003	228,397	4,673	1,410	(521,330)	(226,987)
Total governmental activities	<u>\$ 7,267,612</u>	<u>\$ 7,403,426</u>	<u>\$ 1,344,740</u>	<u>\$ 1,249,156</u>	<u>\$ (5,922,872)</u>	<u>\$ (6,154,270)</u>

## **Business-type Activities**

Revenues of the City's business-type activities decreased 4.2 percent (\$6.9 million in 2005 compared to \$7.2 million in 2004) while expenses decreased 2.2 percent; attributed to decreases in daily operation and maintenance. The majority of this decrease in revenue is a result of a 14 percent decrease in water revenue.

The City is not benefiting from any growth. The population has actually decreased during the past 10 years.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$1.1 million, which is lower than last year's total of \$1.5 million. The following change in fund balance should be noted:

Each year the State provides the City with a portion of the gasoline tax revenues it collects. This money can only be used to replace, maintain, or improve the City's roads. This year the City received \$255,266 and used \$409,809. The remainder decreases the fund balance for Class C Roads which is used to fund projects in future years.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council revised the City budget twice. The first budget revision was to adjust for estimates made in April 2004, as circumstances change. The second adjustment was near the end of the fiscal year and was to prevent budget overruns and to reflect more closely what actually happened during the year.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$103,995 below the final budget amounts. The most significant positive variance (\$16,512) occurred in the City's streets department of which \$7,900 was from special department supplies.

Resources for appropriation (revenues) were \$109,190 over the final budgeted amount. The most significant overage occurred in sales tax revenue.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2005, the City had \$33.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines (see Table 4 below). This amount represents a net decrease (including additions and deletions) of \$800,000, or a 2.3 percent decrease over last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Water stock			\$ 994,922	\$ 994,922	\$ 994,922	\$ 994,922
Land	\$ 1,015,137	\$ 1,015,137	214,660	214,660	1,229,797	1,229,797
Buildings	2,509,624	2,688,959	6,611,595	6,982,924	9,121,219	9,671,883
Improvements other than buildings	1,223,241	1,271,804	15,045,458	14,613,327	16,268,699	15,885,131
Equipment	875,884	866,796	387,383	390,345	1,263,267	1,257,141
Infrastructure	4,494,340	5,226,680			4,494,340	5,226,680
Work in progress	235,335	3,370		247,299	235,335	250,669
Total assets activities	<u>\$ 10,353,561</u>	<u>\$ 11,072,746</u>	<u>\$ 23,254,018</u>	<u>\$ 23,443,477</u>	<u>\$ 33,607,579</u>	<u>\$ 34,516,223</u>

This year's major additions included:

Ten-wheel dump truck	\$ 78,667
Paid with Class C Road funds	
Ozone chemical system for swimming pool	75,837
Paid with City funds and lease	
East Price electrical system	956,160
Paid with City funds and bonds	
Sewer distribution line replacement	<u>158,828</u>
Paid with City funds	
Total	<u>\$1,269,492</u>

The City's fiscal year 2006 capital budget calls for it to spend approximately \$1.9 million for capital projects, (of which \$1.2 million is financed by grants/loans) principally for construction of the Homestead Boulevard loop road. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

#### Debt

At year end, the City had \$10.3 million in bonds and leases outstanding. This balance is virtually unchanged from 2004.

**Table 5**  
**Outstanding Debt at Year-end**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	2005	2004	2005	2004	2005	2004
Bonds payable	\$ 46,478	\$ 65,478	\$ 10,146,615	\$ 9,975,615	\$ 10,193,093	\$ 10,041,093
Leases payable	14,289	155,149	84,756	64,456	99,045	219,605
Total debt	<u>\$ 60,767</u>	<u>\$ 220,627</u>	<u>\$ 10,231,371</u>	<u>\$ 10,040,071</u>	<u>\$ 10,292,138</u>	<u>\$ 10,260,698</u>

New debt incurred during the year:

A capital lease for the pool ozone chemical system	\$ 75,000
Revenue bonds for the purchase of the East Price electrical system	\$600,000

Other obligations include \$304,808 of accrued vacation, sick, and comp time pay. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

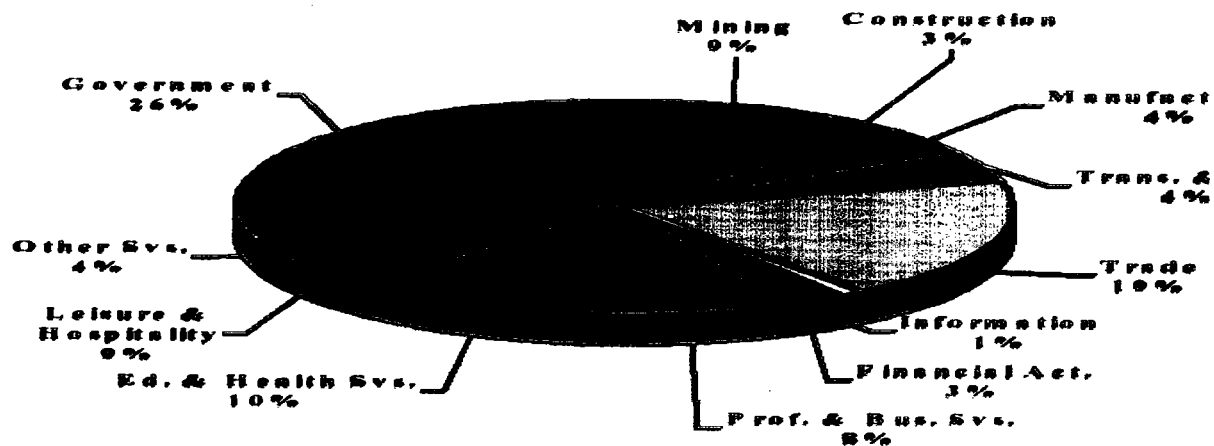
The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget. One of those factors is the economy.

Price City and Carbon County as a whole have experienced a decrease in population over the past decade. The unemployment rate for the county as of October 2005 is 5.6 percent compared to the state's 4.7 percent. Last year at this time, the unemployment rate was 6.3 percent. A good portion of the county's new jobs appear to be temporary in nature. The recent positive employment activity has been focused on construction and transportation activities. Heavy and civil construction employment increased sharply with the start of work on a new gas pipeline—a temporary project. Truck transportation was up sharply, adding nearly 75 jobs over the year. Rail support services also saw job increases.

High energy prices should make the area's natural resources much more desirable in the coming year. From June 2005 looking back one year, coal mining has added 44 positions. This gain has been largely offset by losses in oil and gas extraction. The increased mining activity has increased the demand for wholesale mining goods.

Another area of interest is manufacturing. Wood product, coal product, fabricated metal, and machinery manufacturing have combined to add more than 100 jobs in the last year.

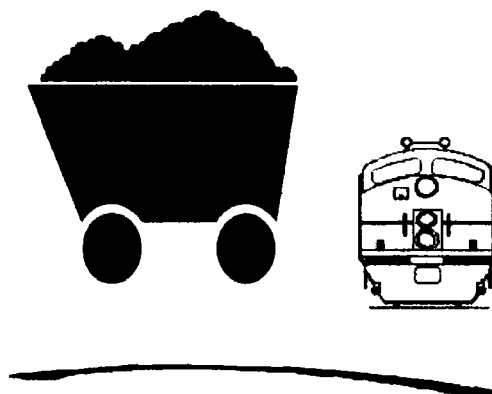
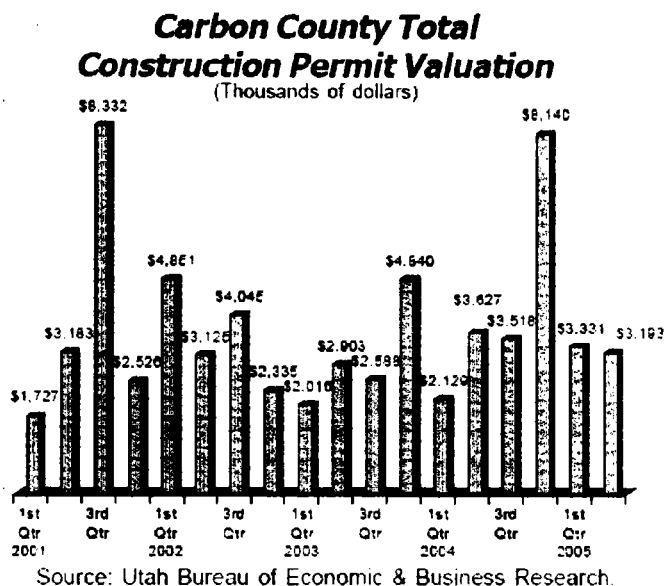
# **CARBON COUNTY EMPLOYMENT DISTRIBUTION BY INDUSTRY - 2002**



Source: Utah Dept. of Workforce Services.



Construction permits showed a slight decline the second quarter of 2005. The new construction valuation for the county declined 12 percent, with the number of dwelling units falling nearly 23 percent. The one thing that stands out in this data is that almost all of the declines can be attributed to slowdowns in the unincorporated areas of the county. The Helper-Price-Wellington area actually saw increases in both new residential and nonresidential construction permit valuations.



The recent surge in manufacturing jobs does bode well for the county and should be continued to be supported. The energy prices should make the area's natural resources much more desirable in the coming year.

The county's economy is becoming more diverse. This will help sustain the county during slow economic times.

Sales tax is the City's major source of revenue; the transfer from the Electric Fund being the second. Sales tax has remained stagnant over the past four years, but seems to be picking up for the 2006 year. The transfer from the Electric Fund was increased by approximately 26 percent for fiscal year 2006. Fiscal year 2006 General Fund) expenditures are budgeted for \$6.6 million. Capital expenditures for 2006 were budgeted at a 34 percent decrease over the 2005 budget.

The General Fund will use \$344,200 from fund balance while the Electric Fund is budgeted to increase fund balance by \$100,000 to aid in maintaining the electrical system. The City will continue to use the lease/purchase tool to fund much needed equipment.

Personnel costs of \$5.2 million are the largest expenditure for the City. The personnel costs budgeted in 2006 reflect no increase because of positions not filled when vacated. The City offers three different levels of health insurance for employees. Employees opting for the higher cost insurance must participate in paying the premiums.

As for the business-type activities, no rate increases are budgeted for fiscal year 2006. The Electric Fund will, however, impose a fee to users to fund substation improvements. This fee will cease once the project is funded.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Director's Office at 185 East Main, Price, Utah.

**Note:**

Economic information about Carbon County was taken from the Utah Department of Workforce Services.

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 741,418	\$ 1,883,628	\$ 2,625,046
Investments - restricted	69,921	2,157,926	2,227,847
Taxes receivable	707,898		707,898
Accounts receivable (net)		484,748	484,748
Miscellaneous receivable	210,891	45,778	256,669
Internal balances	61,765	(61,765)	
Due from other funds	60,000		60,000
Due from other governmental units	549,018		549,018
Inventory of supplies	31,018		31,018
Capital assets (net of accumulated depreciation):			
Water stock		994,922	994,922
Land	1,015,137	214,660	1,229,797
Buildings	2,509,624	6,611,595	9,121,219
Improvements other than buildings	1,223,241	15,045,458	16,268,699
Equipment	875,884	387,383	1,263,267
Infrastructure	4,494,340		4,494,340
Work in progress	235,335		235,335
<b>Total assets</b>	<b>\$ 12,785,490</b>	<b>\$ 27,764,333</b>	<b>\$ 40,549,823</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 420,447	\$ 357,626	\$ 778,073
Accrued liabilities	2,471	620	3,091
Sales tax payable		17,939	17,939
Bond interest payable	1,635	25,191	26,826
Due to other funds		60,000	60,000
Deferred revenue	635,200		635,200
Noncurrent liabilities:			
Customer deposits payable		216,010	216,010
Revenue bonds payable - Due within one year	19,000	60,899	79,899
Capital leases payable - Due within one year	14,287	39,796	54,083
Revenue bonds payable - Due in more than one year	27,478	10,085,716	10,113,194
Capital lease payable - Due in more than one year		44,960	44,960
Compensated absences	268,935	35,872	304,807
<b>Total liabilities</b>	<b>\$ 1,389,453</b>	<b>\$ 10,944,629</b>	<b>\$ 12,334,082</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 10,291,161	\$ 12,997,456	\$ 23,288,617
Restricted for:			
Class "C" Roads	91,830		91,830
Redevelopment agency	3,215		3,215
Drug enforcement	40,917		40,917
Price economic vitality	116,102		116,102
Debt service		2,157,926	2,157,926
Unrestricted	852,812	1,664,322	2,517,134
<b>Total net assets</b>	<b>\$ 11,396,037</b>	<b>\$ 16,819,704</b>	<b>\$ 28,215,741</b>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Primary government:						
Governmental activities:						
General government	\$ 1,653,545	\$ 278,786	\$ 93,127		\$ (1,281,632)	\$ (1,281,632)
Public safety	1,842,094	71,767	86,712	\$ 29,300	(1,654,315)	(1,654,315)
Highways and public improvements	2,402,747	305,835	255,266	25,000	(1,816,646)	(1,816,646)
Parks and recreation	843,223	67,437		126,837	(648,949)	(648,949)
Economic development	45,265	1,673			(43,592)	(43,592)
Intergovernmental	61,100		3,000		(58,100)	(58,100)
Capital outlay	415,105				(415,105)	(415,105)
Interest on long-term debt	4,533				(4,533)	(4,533)
Total governmental activities	\$ 7,267,612	\$ 725,498	\$ 438,105	\$ 181,137	\$ (5,922,872)	\$ (5,922,872)
Business-type activities:						
Water and sewer	\$ 2,639,849	\$ 2,500,726				\$ (139,123)
Electric	3,062,267	4,112,974				1,050,707
Pool	572,214	157,502				(414,712)
Price Community Center	36,515	13,229				(23,286)
Total business-type activities	\$ 6,310,845	\$ 6,784,431				\$ 473,586
Total primary government	\$ 13,578,457	\$ 7,509,929	\$ 438,105	\$ 181,137	\$ (5,922,872)	\$ (5,449,286)
General revenues:						
Property taxes					\$ 982,071	\$ 982,071
Sales and franchise taxes					2,951,634	2,951,634
Grants and contributions not restricted to specific programs					18,607	\$ 34,000
Unrestricted investment earnings					18,288	108,192
Gain on sale of capital assets					31,567	126,480
Miscellaneous					6,986	31,567
Transfers in (out)					857,150	6,986
Total general revenues and transfers					\$ 4,866,303	\$ (857,150)
Change in net assets					\$ (1,056,569)	\$ (714,958)
Net assets - beginning						\$ (241,372)
Net assets - ending					12,452,606	\$ 17,061,076
Net assets - ending					\$ 11,396,037	\$ 16,819,704
						\$ 28,215,741

\*The notes to the financial statements are an integral part of this statement \*

**PRICE MUNICIPAL CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u><b>ASSETS</b></u>			
Cash and cash equivalents		\$ 598,147	\$ 598,147
Investments restricted	\$ 41,055	28,866	69,921
Receivables (net):			
Taxes	707,898		707,898
Miscellaneous	39,456	166,963	206,419
Due from other governmental units	549,018		549,018
Due from other funds		60,000	60,000
Inventory of supplies at cost	31,018		31,018
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,368,445	\$ 853,976	\$ 2,222,421
	<hr/>	<hr/>	<hr/>
<u><b>LIABILITIES AND FUND BALANCES</b></u>			
Liabilities:			
Cash deficit	\$ 49,278		\$ 49,278
Vouchers payable	101,022	\$ 315,572	416,594
Accrued liabilities	2,184	218	2,402
Deferred revenue	635,200		635,200
	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 787,684	\$ 315,790	\$ 1,103,474
	<hr/>	<hr/>	<hr/>
Fund balances:			
Reserved for:			
Class "C" Road	\$ 91,830		\$ 91,830
Drug Task Force		\$ 25,886	25,886
Price economic vitality		116,102	116,102
Redevelopment agency		3,215	3,215
Unreserved, reported in:			
General fund	488,931		488,931
Special revenue funds		38,198	38,198
Capital project funds		354,785	354,785
	<hr/>	<hr/>	<hr/>
Total fund balances	\$ 580,761	\$ 538,186	\$ 1,118,947
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,368,445	\$ 853,976	\$ 2,222,421
	<hr/>	<hr/>	<hr/>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total fund balances - governmental fund types: \$ 1,118,947

Accumulated effect of crossover amounts charged in business-type activities  
from Internal Service Fund activity. 61,765

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported in the funds.

Land	\$ 1,015,137	
Buildings	2,509,624	
Improvements other than buildings	1,223,241	
Equipment	875,884	
Infrastructure	4,494,340	
Work in progress	<u>235,335</u>	10,353,561

Long-term liabilities, including bonds payable, are not due and payable in the current  
period and therefore are not reported in the funds.

Bond interest payable	\$ (1,635)	
Revenue bonds payable - current portion	(19,000)	
Revenue bonds payable - one year	(27,478)	
Capital leases payable - current portion	(14,287)	
Compensated absences	<u>(268,935)</u>	(331,335)

Internal service funds are used by management to charge the costs of information systems  
to individual funds. The assets and liabilities of internal service funds are included in  
governmental activities in the statement of net assets.

Cash	\$ 192,549	
Miscellaneous receivables	4,472	
Vouchers payable	(3,853)	
Accrued liabilities	<u>(69)</u>	193,099

Net assets of governmental activities \$ 11,396,037

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$ 3,708,621	\$ 225,084	\$ 3,933,705
Licenses and permits	150,190		150,190
Intergovernmental	397,527	258,748	656,275
Charges for services	399,211	14,362	413,573
Fines and forfeitures	74,588	2,473	77,061
Contributions	2,985	2,238	5,223
Miscellaneous revenue	61,305	2,970	64,275
<b>Total revenues</b>	<b>\$ 4,794,427</b>	<b>\$ 505,875</b>	<b>\$ 5,300,302</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General government	\$ 1,578,429		\$ 1,578,429
Public safety	1,634,054	\$ 145,595	1,779,649
Highways and public improvements	1,475,871	228,047	1,703,918
Parks, recreation, and public property	510,423	342,727	853,150
Economic development	44,690	575	45,265
Intergovernmental expenditures	61,100		61,100
Capital outlay		415,105	415,105
<b>Debt service:</b>			
Principal retirement	159,862		159,862
Interest and fiscal charges	8,523		8,523
<b>Total expenditures</b>	<b>\$ 5,472,952</b>	<b>\$ 1,132,049</b>	<b>\$ 6,605,001</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$ (678,525)</b>	<b>\$ (626,174)</b>	<b>\$ (1,304,699)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	\$ 1,183,222	\$ 547,644	\$ 1,730,866
Transfers out	(863,344)	(10,372)	(873,716)
Gain from sale of capital assets	31,567		31,567
<b>Total other financing sources (uses)</b>	<b>\$ 351,445</b>	<b>\$ 537,272</b>	<b>\$ 888,717</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ (327,080)</b>	<b>\$ (88,902)</b>	<b>\$ (415,982)</b>
<b>FUND BALANCES - beginning of year</b>	<b>907,841</b>	<b>627,088</b>	<b>1,534,929</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 580,761</b>	<b>\$ 538,186</b>	<b>\$ 1,118,947</b>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (415,982)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(675,845)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	159,862
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Change in interest payable and compensated absences)	16,758
Internal service funds are used by management to charge the costs of management information systems to individual funds.	<u>(141,362)</u>
Change in net assets of governmental activities	<u>\$ (1,056,569)</u>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 816,642	\$ 838,466	\$ 228,520	\$ 1,883,628	\$ 192,549
Investments - restricted	2,157,926			2,157,926	
Receivables - net					
Utilities	227,543	257,205		484,748	
Miscellaneous	35,718	7,467	2,593	45,778	4,472
Total current assets	\$ 3,237,829	\$ 1,103,138	\$ 231,113	\$ 4,572,080	\$ 197,021
Noncurrent assets:					
Water stock	\$ 994,922			\$ 994,922	
Land	177,306	\$ 37,354		214,660	
Equipment, buildings and improvements	25,071,330	7,712,952	\$ 3,539,092	36,323,374	\$ 266,462
Less: Accumulated depreciation	(9,433,891)	(3,312,145)	(1,532,902)	(14,278,938)	(150,968)
Total noncurrent assets	\$ 16,809,667	\$ 4,438,161	\$ 2,006,190	\$ 23,254,018	\$ 115,494
Total assets	\$ 20,047,496	\$ 5,541,299	\$ 2,237,303	\$ 27,826,098	\$ 312,515
<u>LIABILITIES</u>					
Current liabilities:					
Vouchers payable	\$ 96,562	\$ 251,048	\$ 10,016	\$ 357,626	\$ 3,853
Accrued liabilities	268	123	229	620	69
Accrued interest payable	255	23,800	1,136	25,191	
Sales tax payable		14,800	3,139	17,939	
Due to other funds			60,000	60,000	
Current portion - long-term debt	25,756	60,899	14,040	100,695	
Total current liabilities	\$ 122,841	\$ 350,670	\$ 88,560	\$ 562,071	\$ 3,922

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	INTERNAL SERVICE FUND
Noncurrent liabilities:					
Compensated absences	\$ 23,811	\$ 7,900	\$ 4,161	\$ 35,872	\$ 9,220
Customer deposits payable		216,010		216,010	
Capital leases payable			44,960	44,960	
Revenue bonds payable	9,546,615	539,101		10,085,716	
Total noncurrent liabilities	\$ 9,570,426	\$ 763,011	\$ 49,121	\$ 10,382,558	\$ 9,220
Total liabilities	\$ 9,693,267	\$ 1,113,681	\$ 137,681	\$ 10,944,629	\$ 13,142
Net Assets:					
Invested in capital assets, net of related debt	\$ 7,237,041	\$ 3,814,361	\$ 1,946,054	\$ 12,997,456	\$ 115,494
Restricted	2,157,926			2,157,926	
Unrestricted	959,262	613,257	153,568	1,726,087	183,880
Total net assets	\$ 10,354,229	\$ 4,427,618	\$ 2,099,622	\$ 16,881,469	\$ 299,374
Adjustment to reflect the consolidation of ISF activities related to enterprise funds				(61,765)	
Net assets of business-type activities				\$ 16,819,704	

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>				
	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
Operating revenues:					
Charges for sales and services	\$ 2,500,726	\$ 4,112,974	\$ 170,731	\$ 6,784,431	\$ 131,200
Total operating revenues	\$ 2,500,726	\$ 4,112,974	\$ 170,731	\$ 6,784,431	\$ 131,200
Operating expenses:					
Employee salaries	\$ 306,431	\$ 131,047	\$ 172,877	\$ 610,355	\$ 77,587
Employee benefits	171,942	74,444	49,065	295,451	39,975
Contractual services	67,164	35,752	8,916	111,832	18,564
Supplies	30,249	21,591	46,342	98,182	46,431
Materials	49,468			49,468	
Utilities	17,434	11,477	138,370	167,281	34,362
Fuel and oil	15,406	2,380	198	17,984	74
Repairs and maintenance	64,200	247,888	41,575	353,663	59,092
Depreciation	848,732	170,406	133,048	1,152,186	41,127
Bad debts		11,138		11,138	
Water assessments	13,016			13,016	
Power purchases		2,322,205		2,322,205	
Contributions to other governmental units	849,808			849,808	
Miscellaneous	5,405	2,089	1,105	8,599	6,685
Advertising			4,695	4,695	
Rentals	1,478	697	961	3,136	
Total operating expenses	\$ 2,440,733	\$ 3,031,114	\$ 597,152	\$ 6,068,999	\$ 323,897
Operating income (loss)	\$ 59,993	\$ 1,081,860	\$ (426,421)	\$ 715,432	\$ (192,697)

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	
Nonoperating revenues (expenses):					
Interest revenue	\$ 101,710	\$ 6,482		\$ 108,192	\$ 3,901
Interest expense and fiscal charges	(187,498)	(23,800)	\$ (1,136)	(212,434)	
Grants	34,000			34,000	18,023
Total nonoperating revenues (expenses)	\$ (51,788)	\$ (17,318)	\$ (1,136)	\$ (70,242)	\$ 21,924
Income (loss) before transfers	\$ 8,205	\$ 1,064,542	\$ (427,557)	\$ 645,190	\$ (170,773)
Transfers In (Out):					
Transfers in			\$ 315,700	\$ 315,700	
Transfers out	\$ (305,050)	\$ (867,800)		(1,172,850)	
Total transfers in (out):	\$ (305,050)	\$ (867,800)	\$ 315,700	\$ (857,150)	\$ ...
Change in net assets	\$ (296,845)	\$ 196,742	\$ (111,857)	\$ (211,960)	\$ (170,773)
Total net assets - beginning	10,651,074	4,230,876	2,211,479		470,147
Total net assets - ending	\$ 10,354,229	\$ 4,427,618	\$ 2,099,622		\$ 299,374
Adjustment to reflect the consolidation of ISF activities related to enterprise funds				(29,412)	
Changes in net assets of business-type activities				\$ (241,372)	

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPERETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	OTHER ENTERPRISE FUND	TOTAL	
<b>Cash Flows From Operating Activities:</b>					
Cash receipts from customers	\$ 2,664,073	\$ 4,126,664	\$ 170,533	\$ 6,961,270	\$ 126,791
Cash payments to suppliers	(1,368,570)	(2,630,821)	(312,293)	(4,311,684)	(178,684)
Cash payments to employees	(476,876)	(200,260)	(223,698)	(900,834)	(115,721)
Net cash provided (used) by operating activities	\$ 818,627	\$ 1,295,583	\$ (365,458)	\$ 1,748,752	\$ (167,614)
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers from other funds			\$ 315,700	\$ 315,700	
Transfers to other funds	\$ (305,050)	\$ (867,800)		(1,172,850)	
Net cash provided (used) by noncapital financing activities	\$ (305,050)	\$ (867,800)	\$ 315,700	\$ (857,150)	\$ ...
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition of capital assets		\$ (886,891)	\$ (75,836)	\$ (962,727)	
Interest paid on revenue bonds	\$ (187,498)			(187,498)	
Principal paid on revenue bonds	(429,000)			(429,000)	
Interest paid on capital leases			(1,136)	(1,136)	
Principal paid on capital leases	(38,700)			(38,700)	
Grants received	34,000			34,000	\$ 18,023
Capital lease issued			59,000	59,000	
Issue of revenue bonds		600,000		600,000	
Net cash provided (used) by capital and related financing activities	\$ (621,198)	\$ (286,891)	\$ (17,972)	\$ (926,061)	\$ 18,023
<b>Cash Flows From Investing Activities:</b>					
Interest and dividends received	\$ 101,710	\$ 6,482		\$ 108,192	\$ 3,901
Net cash provided (used) by investing activities	\$ 101,710	\$ 6,482	\$ ...	\$ 108,192	\$ 3,901
Net increase (decrease) in cash and cash equivalents	\$ (5,911)	\$ 147,374	\$ (67,730)	\$ 73,733	\$ (145,690)
Cash and cash equivalents, July 1	2,980,479	691,092	296,250	3,967,821	338,240
Cash and cash equivalents, June 30	\$ 2,974,568	\$ 838,466	\$ 228,520	\$ 4,041,554	\$ 192,550

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF CASH FLOWS  
PROPERETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	OTHER ENTERPRISE FUND	TOTAL	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 59,993	\$ 1,081,860	\$ (426,421)	\$ 715,432	\$ (192,697)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 848,732	\$ 170,406	\$ 133,048	\$ 1,152,186	\$ 41,127
(Increase) Decrease in utility receivables	1,221	(18,135)		(16,914)	
(Increase) Decrease in miscellaneous receivables	162,126	11,370	(198)	173,298	(4,409)
Increase (Decrease) in vouchers payable	(254,520)	21,220	(71,310)	(304,610)	(13,476)
Increase (Decrease) in compensated absences	3,207	5,690	(1,756)	7,141	1,841
Increase (Decrease) in sales tax payable		3,176	43	3,219	
Increase (Decrease) in customer deposits payable		20,455		20,455	
Increase (Decrease) in accrued interest payable	(422)		1,136	714	
Increase (Decrease) in accrued liabilities	(1,710)	(459)		(2,169)	
Total adjustments	\$ 758,634	\$ 213,723	\$ 60,963	\$ 1,033,320	\$ 25,083
Net cash provided (used) by operating activities	\$ 818,627	\$ 1,295,583	\$ (365,458)	\$ 1,748,752	\$ (167,614)

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	YOUTH COUNCIL	COMMUNITY PROGRESS	SWIM TEAM	EVENTS FEES	PERFORMANCE BONDS	FIRE DEPARTMENT	CULTURE CONNECTION
<u>ASSETS</u>							
Cash and cash equivalents	\$ 511	\$ 1,545	\$ 8	\$ 4	\$ 5,488	\$ 9,724	\$ 59
Total assets	\$ 511	\$ 1,545	\$ 8	\$ 4	\$ 5,488	\$ 9,724	\$ 59
<u>LIABILITIES</u>							
Accounts payable	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 473	\$ ...
<u>NET ASSETS</u>							
Held in trust	\$ 511	\$ 1,545	\$ 8	\$ 4	\$ 5,488	\$ 9,251	\$ 59

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	YOUTH COUNCIL	COMMUNITY PROGRESS	SWIM TEAM	EVENTS FEES	PERFORMANCE BONDS	FIRE DEPARTMENT	CULTURE CONNECTION
ADDITIONS:							
Contributions:							
Plan members							
	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 18,104	\$ 173
Total contributions	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 18,104	\$ 173
DEDUCTIONS:							
Administrative expenses	\$ 250				\$ 35,872	\$ 21,530	\$ 114
Refund of contributions							
	\$ 250	\$ ...	\$ ...	\$ ...	\$ 35,872	\$ 21,530	\$ 114
Total deductions	\$ (250)				\$ (35,872)	\$ (3,426)	\$ 59
Change in net assets							
	761	\$ 1,545	\$ 8	\$ 4	41,360	12,677	
Net assets - beginning of the year							
	\$ 511	\$ 1,545	\$ 8	\$ 4	\$ 5,488	\$ 9,251	\$ 59
Net assets - end of the year							

**PRICE MUNICIPAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Price Municipal Corporation (the City) is a municipal corporation governed by an elected mayor and five-member council. The City, incorporated in 1911, provides the following services: public safety, highways and public improvements, parks and recreation, economic development, library, swimming pool, and general administrative services. In addition, the City owns and operates culinary water and electric power systems and maintains its sewer lines.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**A. Reporting Entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations.

**Blended Component Unit**

The Price City Redevelopment Agency is included in this report as the Redevelopment Agency (RDA), a special revenue fund, which is a component unit blended in the City's financial statements. Although the RDA is clearly established as a separate entity under state law, it is included due to financial accountability and the extensive oversight provided by the City. Members of the City Council serve as the Board of Directors of the RDA.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the operation and maintenance of the City's water treatment plant and water and sewer distribution systems.

The Electric Fund accounts for the activities of the City's electric distribution operations.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for the central financing of data processing goods and services provided to various departments of the City on a cost-reimbursement basis.

The Price City Trust Fund (a fiduciary fund) accounts for the assets held by the City as an agent for the Price Youth City Council, Community Progress Committee, Fire Department, Swim Team, Culture Connection, and individuals or groups who have paid performance bonds to the City.

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital improvements, facilities, and equipment (other than those financed by proprietary funds and special revenue funds).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. **Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the Price City Trust Fund. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
- 2) Copies of the proposed budget are made available for public inspection and review by the citizens of the City.
- 3) If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- 4) Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Data (Continued)**

- 5) Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2005, have been included in the final budget approved by the City Council, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

**E. Cash and Cash Equivalents**

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

**F. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**G. Inventories**

Inventories consist of petroleum products used to operate and maintain the City's vehicles and equipment and are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**H. Capital Assets**

Capital assets, which include land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), and water stock, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. **Capital Assets (Continued)**

Buildings, improvements, equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Office equipment	5-10
Machinery and equipment	5-10
Automotive equipment	5-20
Infrastructure	30

I. **Compensated Absences**

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation is paid.

Accumulated sick leave is earned at a rate of one day per month. Employees may accumulate 960 hours of sick leave. Upon retirement, death, or termination, one-fourth of the accumulated sick leave, not to exceed one month's base pay, is paid.

Employees can also accumulate comp time hours up to 80 hours. Employees are paid for unused comp time upon retirement, death, or termination.

All vacation, sick, and comp time pay is accrued when incurred in the government-wide and internal service fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as cash and investments. Income from the investment of pooled cash is allocated based on fund balance. In addition, cash is separately held by individual funds.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. The City does not have separate policies that address the specific types of deposit and investment risks to which the City is exposed.

**Deposits**

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires the depositing of City funds in a *qualified depository*. The Act defines a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The City's deposits at June 30, 2005, were \$488,122. Of these deposits, \$388,122 were uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Authorized investments include negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

## 2. DEPOSITS AND INVESTMENTS (Continued)

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external investment pool managed by the Utah State Treasurer's Office. The PTIF is not registered with the SEC as an investment company, and is authorized and regulated by the Money Management Act and the Money Management Council. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees – of the PTIF are allocated based on the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Maturity</u>	<u>Quality Rating</u>
Utah Public Treasurer's Investment Fund	\$ 4,450,429	57 days *	Not Rated

\* Weighted-average maturity

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing only in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

### *Credit Risk*

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

3. **RESTRICTED CASH**

During prior years, the City issued six Water & Sewer Revenue bonds for the construction and improvement of its culinary water system; namely, a main water transmission line and a ten million gallon water tank. In connection with the bond agreements, the City has established bond sinking and bond reserve funds. These funds are to assure that adequate money is available to service debt payments as they come due. Reserved amounts are shown below, along with other restricted funds.

**Enterprise Funds**

Sinking funds	\$ 648,187
Reserve accounts	613,644
Capital improvements	<u>896,095</u>
	<u>\$ 2,157,926</u>

**General Fund**

Class "C" Roads	<u>\$ 41,055</u>
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**Special Revenue Fund**

Drug Task Force	<u>\$ 28,866</u>
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4. **PROPERTY TAXES**

The property tax revenue of the City is collected and distributed by the Carbon County treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

4. **PROPERTY TAXES (Continued)**

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county, from the uniform fee, are distributed by the county to each taxing entity in which the property is located, in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fees as revenues when collected by the county.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,015,137			\$ 1,015,137
Other assets	32,000	\$ 40,000		72,000
Work in progress	<u>3,370</u>	<u>231,965</u>		<u>235,335</u>
Total capital assets not being depreciated	<u>\$ 1,050,507</u>	<u>\$ 271,965</u>	<u>\$ ...</u>	<u>\$ 1,322,472</u>
Capital assets being depreciated:				
Buildings	\$ 5,111,253			\$ 5,111,253
Improvements other than buildings	2,239,672	\$ 17,722		2,257,394
Machinery and equipment	3,435,210	237,409	\$ 36,578	3,636,041
Infrastructure	<u>22,251,355</u>	<u>9,372</u>		<u>22,260,727</u>
Total capital assets being depreciated:	<u>\$ 33,037,490</u>	<u>\$ 264,503</u>	<u>\$ 36,578</u>	<u>\$ 33,265,415</u>

5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Less accumulated depreciation for:				
Buildings	\$ 2,422,294	\$ 179,335		\$ 2,601,629
Improvements other than buildings	999,866	106,287		1,106,153
Machinery and equipment	2,568,414	228,321	\$ 36,578	2,760,157
Infrastructure	<u>17,024,675</u>	<u>741,712</u>		<u>17,766,387</u>
Total accumulated depreciation	<u>\$ 23,015,249</u>	<u>\$ 1,255,655</u>	<u>\$ 36,578</u>	<u>\$ 24,234,326</u>
Total capital assets being depreciated, net	<u>\$ 10,022,241</u>	<u>\$ (991,152)</u>	<u>\$ ...</u>	<u>\$ 9,031,089</u>
Governmental activities capital assets, net	<u>\$ 11,072,748</u>	<u>\$ (719,187)</u>	<u>\$ ...</u>	<u>\$ 10,353,561</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 214,660			\$ 214,660
Water stock	994,922			994,922
Work in progress	<u>247,299</u>		\$ 247,299	
Total capital assets not being depreciated	<u>\$ 1,456,881</u>	<u>\$ ...</u>	<u>\$ 247,299</u>	<u>\$ 1,209,582</u>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 12,499,633			\$ 12,499,633
Improvements other than buildings	21,670,151	\$ 1,134,189		22,804,340
Machinery and equipment	<u>940,185</u>	<u>79,217</u>		<u>1,019,402</u>
Total capital assets being depreciated:	<u>\$ 35,109,969</u>	<u>\$ 1,213,406</u>	<u>\$ ...</u>	<u>\$ 36,323,375</u>
Less accumulated depreciation for:				
Buildings	\$ 5,516,709	\$ 371,329		\$ 5,888,038
Improvements other than buildings	7,056,824	702,058		7,758,882
Machinery and equipment	<u>549,841</u>	<u>82,178</u>		<u>632,019</u>
Total accumulated depreciation	<u>\$ 13,123,374</u>	<u>\$ 1,155,565</u>	<u>\$ ...</u>	<u>\$ 14,278,939</u>
Total capital assets being depreciated, net	<u>\$ 21,986,595</u>	<u>\$ 57,841</u>	<u>\$ ...</u>	<u>\$ 22,044,436</u>
Business-type activities capital assets, net	<u>\$ 23,443,476</u>	<u>\$ 57,841</u>	<u>\$ 247,299</u>	<u>\$ 23,254,018</u>

5. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 157,806
Public safety	84,220
Highways and public improvements	849,177
Parks and recreation	123,326
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>41,127</u>

Total depreciation expense -  
governmental activities

\$ 1,255,656

Business-type Activities:

Water and sewer	\$ 848,732
Electric	170,406
Swimming pool	116,937
Price Community Center	<u>16,111</u>

Total depreciation expense -  
business-type activities

\$ 1,152,186

Total depreciation expense

\$ 2,407,842

6. **PENSION PLANS**

**Cost Sharing Defined Benefit Pension Plans**

**Plan Description** – The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

**6. PENSION PLANS (Continued)**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary and the City is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Contributory Retirement System, members are required to make contributions in the amount of 12.29% and the City is required to contribute 7.70% of members' salaries. In the Public Safety Noncontributory Retirement System, the City is required to contribute 19.08% of members' salaries. In the Firefighters Retirement System for employers with Social Security coverage, plan members are required to contribute 8.61% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$12,895.14, \$14,030.93, and \$12,351.53, respectively; for the Noncontributory Retirement System, the contributions for June 30, 2005, 2004 and 2003 were \$216,852.60, \$191,528.65, and \$163,157.75, respectively; for the Public Safety Contributory Retirement System, the contributions for June 30, 2005, 2004, and 2003 were \$17,753.93, \$14,468.98, and \$17,111.73, respectively; for the Public Safety Noncontributory Retirement System, the contributions for June 30, 2005, 2004 and 2003 were \$104,067.91, \$88,776.15, and \$67,464.51, respectively; and for the Firefighters Retirement System, the contributions for June 30, 2005, 2004 and 2003 were \$4,504.76, \$4,193.74, and \$3,820.20, respectively. The contributions were equal to the required contributions for each year.

The City also sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k), which is administered by the Utah Retirement Systems. The plan covers all full-time City employees who participate in the State's contributory and non-contributory retirement plans. Participants are fully vested in employer and employee contributions.

**6. PENSION PLANS (Continued)**

The City's contribution rates are determined by resolution of the City. The City's total payroll in the fiscal year ended June 30, 2005 was \$3,174,190. The City's contributions for the year ended June 30, 2005 were calculated using the total participants' salary amount of \$2,970,403. The required contributions of the City were made which amounted to \$108,267 for the year ended June 30, 2005. Participants may make tax deferred contributions through a salary reduction agreement up to a maximum of \$14,000. The participants' contributions for the year ended June 30, 2005 totaled \$109,257 or approximately 3.68% of the total participants' salary.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$15,447 for the year ended June 30, 2005. The assets of the plan are administered and held by the Utah Retirement Systems and a third-party administrator.

**7. LONG-TERM DEBT**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 19,000	\$ 1,394	\$ 20,394	\$ 60,899	\$ 35,502	\$ 96,400
2007	20,000	824	20,824	501,324	210,002	711,326
2008	7,478	224	7,702	513,151	198,349	711,500
2009				525,206	186,286	711,492
2010				536,502	173,782	710,284
2011-2015				2,695,918	670,263	3,366,180
2016-2020				2,481,000	401,333	2,882,333
2021-2025				1,841,615	154,617	1,996,232
2026-2029				991,000	36,425	1,027,425
	<u>\$ 46,478</u>	<u>\$ 2,442</u>	<u>\$ 48,920</u>	<u>\$10,146,615</u>	<u>\$2,066,558</u>	<u>\$12,213,173</u>

7. **LONG-TERM DEBT (Continued)**

**Revenue Bonds** – Revenue bonds payable at June 30, 2005, with their outstanding balances, are comprised of the following individual issues:

**Governmental Activities:**

\$184,000 Storm Drain Revenue Bonds, Series 1997, due in annual principal installments of \$16,000 to \$22,000, beginning October 1, 1999 through October 1, 2007, interest of 3.00% per annum.	<u>\$ 46,478</u>
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**Business-type Activities:**

\$1,250,000 Water & Sewer Revenue Bonds, Series 1995A, due in annual principal installments of \$61,000 to \$64,000, beginning July 1, 1997, through July 1, 2016, interest of 0.29% per annum.	\$ 696,000
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\$2,997,615 Water & Sewer Revenue Bonds, Series 1995B, due in annual principal installments of \$93,000 to \$169,615, beginning July 1, 1997, through July 1, 2021, interest of 3.00% per annum.	2,162,615
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\$2,885,000 Water & Sewer Revenue Bonds, Series 2002A, due in annual principal installments of \$96,000 to \$137,000, beginning July 1, 2004, through July 1, 2028, interest of 1.5% per annum.	2,692,000
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\$1,900,000 Water & Sewer Revenue Bonds, Series 2002B, due in annual principal installments of \$75,000 to \$118,000, beginning July 1, 2003, through July 1, 2022, interest of 2.47% per annum.	1,671,000
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\$1,250,000 Water & Sewer Revenue Bonds, Series 2002C, due in annual principal installments of \$37,000 to \$67,000, beginning July 1, 2004, through July 1, 2028, interest of 2.50% per annum.	1,175,000
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\$1,250,000 Water & Sewer Revenue Bonds, Series 2002D, due in annual principal installments of \$50,000, beginning July 1, 2004, through July 1, 2028 at a zero percent interest rate.	1,150,000
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\$600,000 Taxable Electric Revenue Bonds, Series 2004, due in annual principal installments of \$60,899 to \$90,987, beginning November 1, 2005, through November 1, 2012, interest of 5.95% per annum.	<u>600,000</u>
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Total	<u><u>\$ 10,146,615</u></u>
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7. **LONG-TERM DEBT (Continued)**

Revenue bonds issued for governmental activities were used to improve storm drainage systems within the city. Revenue bonds issued for business-type activities, except the Series 2004 Taxable Electric Revenue Bonds, were used for the construction, repair, and maintenance of water and sewer lines within the city. The Electric Revenue Bonds were used to purchase the East Price electrical system.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds - CIB	\$ 65,478		\$ (19,000)	\$ 46,478	\$ 19,000
Capital leases	155,149		(140,862)	14,287	14,287
Compensated absences	<u>283,166</u>		<u>(14,231)</u>	<u>268,935</u>	
Governmental activity long-term liabilities	<u>\$ 503,793</u>	<u>\$ ...</u>	<u>\$ (174,093)</u>	<u>\$ 329,700</u>	<u>\$ 33,287</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 9,975,615	\$ 600,000	\$ (429,000)	\$ 10,146,615	\$ 60,899
Capital leases	64,456	75,000	(54,700)	84,756	39,796
Compensated absences	<u>27,069</u>	<u>8,803</u>		<u>35,872</u>	
Business-type activity long-term liabilities	<u>\$ 10,067,140</u>	<u>\$ 683,803</u>	<u>\$ (483,700)</u>	<u>\$ 10,267,243</u>	<u>\$ 100,695</u>

## 8. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of a truck for the Parks Department, a backhoe for the Water and Sewer Fund, and an ozone chemical system for the swimming pool.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Auto equipment	\$ 68,000	\$ 121,398
Machinery and equipment		75,837
	<hr/>	<hr/>
Total assets	\$ 68,000	\$ 197,235
Less: Accumulated depreciation	<hr/> 38,511	<hr/> 42,273
Net assets	<hr/> \$ 29,489	<hr/> \$ 154,962

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2005, are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$ 14,932	\$ 42,827
2007		15,987
2008		15,987
2009		15,987
	<hr/>	<hr/>
Total minimum lease payments	\$ 14,932	\$ 90,788
Less: amount representing interest	<hr/> (645)	<hr/> (6,032)
Present value of minimum lease payments	<hr/> \$ 14,287	<hr/> \$ 84,756

9. **CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has several pending lawsuits and notice of claims filed by different individuals and entities. The information presented by attorneys indicated that most of the outcomes of lawsuits are undeterminable at the date of audit, but the City is aggressively fighting these claims.

10. **REDEVELOPMENT AGENCY**

During the year ended June 30, 2005, the tax increment collected by the RDA was \$107,790 for the downtown redevelopment project area and \$117,294 for the East Price project area. The RDA did not pay any of the tax increment to any taxing agency or unit. In addition to the tax increment, the RDA received a \$3,000 state grant to pay for an architectural evaluation of the historical façade of the downtown buildings. Currently, the RDA has no outstanding bonds or loans.

During the fiscal year ended June 30, 2005, the RDA did not acquire any property, but did make the following site improvements:

<u>Project</u>	<u>Amount</u>
Downtown Improvements	\$ 5,234
Revitalization Project	49,687
Restoration Project	26,794
East Price Projects	101,158

The RDA also incurred administrative expenditures in the amount of \$24,240 for the downtown project area and \$20,934 for the East Price project area. During the year, the RDA transferred \$20,000 out of the East Price project area to the General Fund for administrative services. The RDA did not incur expenditures for the installation of public utilities or other public improvements.

11. **PROPERTY TAX CALENDAR**

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the city treasurer by the end of November and are remitted to the City by the county treasurer as collected.

## 12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City issued revenue bonds in the Water and Sewer Fund for the purpose of constructing storage and distributions systems for culinary water. Both the Water and Sewer departments are accounted for in a single fund. The City also operates an Electric Fund, which provides electrical power to residents of the city. During the year, the Electric fund made a material transfer of funds to the General Fund.

In addition, the City operates two other enterprise funds, the Pool Fund and the Price Community Center Fund. The Pool Fund records the transactions associated with the operation of the Desert Wave Pool. The Price Community Center Fund consists of a commercial building, which is rented to governmental agencies and commercial enterprises. Segment information is reported for these two funds due to material operating transfers into the funds or because of material enterprise fund operating income or loss.

A summary of the financial statements for these enterprise funds is presented below:

### CONDENSED STATEMENT OF NET ASSETS

	Pool Fund	Price Community Center
Assets:		
Current assets	\$ 161,222	\$ 69,891
Capital assets	<u>1,719,810</u>	<u>286,380</u>
Total assets	<u>\$ 1,881,032</u>	<u>\$ 356,271</u>
Liabilities:		
Current liabilities	\$ 86,718	\$ 1,842
Noncurrent liabilities	<u>49,121</u>	<u></u>
Total liabilities	<u>\$ 135,839</u>	<u>\$ 1,842</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 1,659,674	\$ 286,380
Unrestricted	<u>85,519</u>	<u>68,049</u>
Total net assets	<u>\$ 1,745,193</u>	<u>\$ 354,429</u>
Capital assets:		
Additions	\$ 75,837	

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

	Pool Fund	Price Community Center
Operating revenues	\$ 157,502	\$ 13,229
Depreciation expense	(116,937)	(16,111)
Other operating expenses	(443,700)	(20,404)
Operating income	\$ (403,135)	\$ (23,286)
Nonoperating revenue (expenses):		
Interest expense and fiscal charges	\$ (1,136)	
Total nonoperating revenue (expenses)	\$ (1,136)	\$ ...
Transfers:		
Transfers in	\$ 310,500	\$ 5,200
Total transfers	\$ 310,500	\$ 5,200
Change in net assets	\$ (93,771)	\$ (18,086)
Beginning net assets	1,838,964	372,515
Ending net assets	\$ 1,745,193	\$ 354,429

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Pool Fund</u>	<u>Price Community Center</u>
Operating revenues:		
Charges for services	\$ 157,502	\$ 13,229
Depreciation expense	(116,937)	(16,111)
Operating income (loss)	560,637	36,515
Operating transfers in	310,500	5,200
Net income (loss)	(93,771)	(18,086)
Property, plant, and equipment:		
Additions	75,837	
Net working capital	74,504	68,049
Total assets	1,881,032	356,271
Capital leases payable	44,960	
Total equity	1,745,193	354,429

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:		
Operating activities	\$ (358,693)	\$ (6,765)
Noncapital financing activities	310,500	5,200
Capital and related financing activities	(17,972)	
Net increase (decrease)	\$ (66,165)	\$ (1,565)
Beginning cash and cash equivalents	225,919	70,331
Ending cash and cash equivalents	<u>\$ 159,754</u>	<u>\$ 68,766</u>

**13. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays a monthly premium to Utah Local Governments Trust for its health insurance coverage. The City is insured through commercial companies for its general liability coverage. At June 30, 2005, the City had no claims or judgments filed against it related to the risks mentioned above.

**14. RELATED PARTY TRANSACTIONS**

Joe Piccolo, Mayor, owns three automotive businesses in Price. During the fiscal year ended June 30, 2005, the City made payments to these businesses in the amount of \$3,031 for goods and services.

Richard Tatton, City Councilman, owns and operates an independent insurance company. During the year ended June 30, 2005, the City made payments to the company in the amount of \$1,340 for services and \$214,010 for general liability insurance. In addition, the City paid \$32,165 directly to the agencies through which it is insured for fidelity bonds, additional general liability coverage, and deductibles.

A fireman with the Price City Fire Department owns and operates a landscaping business. During the year ended June 30, 2005, the City made payments to the business in the amount of \$4,250 for services.

During the year ended June 30, 2004, the Mayor's son received a \$10,000 loan, at an interest rate of 7.50%, through the Price City Economic Vitality Fund to open a business in Price. The loan application was approved by the Loan Committee and by the City Council. The Mayor removed himself from the loan review and approval process. For a period of time during 2005, the City offered new and existing loans at half the interest rate and no fees. Mr. Piccolo took advantage of this promotion and his loan was rewritten at an interest rate of 3.50% for the remaining 12 month period. As of June 30, 2005, the loan balance was \$3,671.

**15. RECEIVABLES**

Receivables as of June 30, 2005, for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

15. **RECEIVABLES (Continued)**

	GENERAL FUND	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR AND OTHER FUNDS	TOTAL
Receivables:					
Taxes	\$ 707,898				\$ 707,898
Accounts		\$ 236,511	\$ 262,282		498,793
Miscellaneous	39,456	35,718	7,467	\$ 169,556	252,197
Gross receivables	\$ 747,354	\$ 272,229	\$ 269,749	\$ 169,556	\$ 1,458,888
Less: allowance for uncollectible accounts		(8,968)	(5,077)		(14,045)
Net receivables	<u>\$ 747,354</u>	<u>\$ 263,261</u>	<u>\$ 264,672</u>	<u>\$ 169,556</u>	<u>\$ 1,444,843</u>

16. **INTERFUND BALANCES AND TRANSFERS**

Internal Balances – Included in internal balances on the financial statements are individual fund receivables and payable balances at June 30, 2005, as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
Capital Improvements Fund	\$ 60,000	
Pool Fund		\$ 60,000
Internal balance - Governmental activities	61,765	
Internal balance - Business-type activities		61,765
Total internal balances	<u>\$ 121,765</u>	<u>\$ 121,765</u>

16. **INTERFUND BALANCES AND TRANSFERS (Continued)**

Transfers – Interfund transfers during the year ended June 30, 2005, were as follows:

TRANSFERS IN	TRANSFERS OUT				TOTAL
	GENERAL FUND	NONMAJOR AND OTHER FUNDS	ELECTRIC FUND	WATER AND SEWER FUND	
General Fund		\$ 10,372	\$ 867,800	\$ 305,050	\$1,183,222
Other Governmental					
Drug Task Force	\$ 58,070				58,070
Library	328,660				328,660
Capital Projects	160,914				160,914
Enterprise					
Pool Fund	310,500				310,500
Price Community Center	5,200				5,200
Totals	<u>\$ 863,344</u>	<u>\$ 10,372</u>	<u>\$ 867,800</u>	<u>\$ 305,050</u>	<u>\$2,046,566</u>

17. **SUBSEQUENT EVENTS**

On September 15, 2005, the City issued Taxable Sales Tax Revenue Bonds, Series 2004, in the amount of \$225,000. The proceeds of the bonds will be used to renovate and improve existing buildings to house administrative offices and programs, and to pay for the bond issuance costs. The bonds bear a zero percent interest rate and mature on April 1, 2026.

During 2005, PacifiCorp requested a refund of \$202,470.44 from Price City for an alleged overpayment of electric franchise taxes. PacifiCorp erroneously collected franchise taxes from a customer with substations located outside Price City limits. The City repaid \$8,436 during the year. As of the audit date, the outcome is not determinable.

18. **OTHER POSTEMPLOYMENT BENEFITS**

The City provides postretirement health and dental care benefits, as per the requirements of a local policy, for certain retirees and their dependents; only retirees hired before July 1, 1997 are eligible to participate. Employees on disability, as defined by the Utah State Retirement Systems, or Federal Social Security System, are also eligible to participate.

**18. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The City pays 100 percent of the premiums of health and dental care coverage, as provided by the City's benefit policy then in force, for employees who retire with 20 years of full-time service and who are age 62 or older. The City's regular health and dental care benefit providers underwrite the retiree's policies until they reach 65 years of age; coverage provided is under COBRA. At age 65, the City pays the Medicare supplement for the retirees and their dependents, which includes medical coverage only. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of June 30, 2005, there were 2 employees receiving COBRA insurance coverage; 1 with family coverage and 1 with two-party coverage. During the year, the City paid the Medicare supplement for 14 employees, of which 6 had dependents. The City finances the plan on a pay-as-you-go basis. For the year ended June 30, 2005, the City paid \$89,045 for these benefits.

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property taxes	\$ 867,600	\$ 775,600	\$ 756,990	\$ (18,610)
General sales and use tax	1,800,000	1,800,000	1,901,303	101,303
Franchise tax	266,500	263,400	273,767	10,367
Transient room tax	48,000	41,000	46,946	5,946
Cell phone tax	50,400	108,400	137,168	28,768
Municipal energy tax	6,000	10,500	13,624	3,124
Highway tax	560,000	560,000	578,826	18,826
Licenses and permits	152,100	158,100	150,190	(7,910)
Intergovernmental	366,500	433,904	397,527	(36,377)
Charges for services	391,500	406,100	399,211	(6,889)
Fines and forfeitures	94,200	75,000	74,588	(412)
Investment earnings	8,000	8,000	15,197	7,197
Contributions		2,800	2,985	185
Miscellaneous revenue	15,400	74,000	46,105	(27,895)
Total revenues	<u>\$ 4,626,200</u>	<u>\$ 4,716,804</u>	<u>\$ 4,794,427</u>	<u>\$ 77,623</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>General government:</b>				
Legislative	\$ 83,850	\$ 85,200	\$ 83,811	\$ 1,389
Administration	313,400	237,140	234,827	2,313
Finance	222,500	217,840	214,093	3,747
Treasurer	123,950	74,320	72,726	1,594
Attorney	103,600	103,600	99,232	4,368
Non-departmental	457,300	423,800	416,384	7,416
Building maintenance	272,800	265,950	261,203	4,747
Planning	97,600	91,400	88,507	2,893
Community progress	7,550	4,200	2,784	1,416
Human resources		102,475	101,226	1,249
Safety committee	4,600	3,880	3,636	244
Total general government	<u>\$ 1,687,150</u>	<u>\$ 1,609,805</u>	<u>\$ 1,578,429</u>	<u>\$ 31,376</u>
<b>Public safety:</b>				
Police	\$ 1,123,500	\$ 1,105,050	\$ 1,091,829	\$ 13,221
Fire	365,800	319,365	313,370	5,995
Inspection	107,200	101,970	99,581	2,389
Special functions	74,000	69,200	66,566	2,634
Alcohol law enforcement	62,000	63,200	62,708	492
Total public safety	<u>\$ 1,732,500</u>	<u>\$ 1,658,785</u>	<u>\$ 1,634,054</u>	<u>\$ 24,731</u>

PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Highways and public improvements:				
Highways - general	\$ 799,800	\$ 333,665	\$ 320,210	\$ 13,455
Public improvements	221,600	204,100	197,667	6,433
Class "C" roads		263,000	259,914	3,086
Shop	170,600	170,950	168,577	2,373
Engineering	91,400	42,532	41,970	562
Irrigation water system		17,700	17,688	12
Public works administration	195,000	197,150	195,567	1,583
Sanitation	279,100	279,100	274,278	4,822
Total highways and public improvements	\$ 1,757,500	\$ 1,508,197	\$ 1,475,871	\$ 32,326
Parks, recreation, and public property:				
Parks	\$ 358,800	\$ 271,630	\$ 262,659	\$ 8,971
Cemetery	260,000	252,880	247,764	5,116
Total parks, recreation and public property	\$ 618,800	\$ 524,510	\$ 510,423	\$ 14,087
Economic development:				
Economic development	\$ 37,600	\$ 45,650	\$ 44,690	\$ 960
Total economic development	\$ 37,600	\$ 45,650	\$ 44,690	\$ 960
Intergovernmental expenditures:				
Contributions to other governmental units	\$ 60,700	\$ 61,700	\$ 61,100	\$ 600
Total intergovernmental expenditures	\$ 60,700	\$ 61,700	\$ 61,100	\$ 600
Debt service:				
Principal retirement		\$ 159,800	\$ 159,862	\$ (62)
Interest and fiscal charges		8,500	8,523	(23)
Total debt service	\$	\$ 168,300	\$ 168,385	\$ (85)
Total expenditures	\$ 5,894,250	\$ 5,576,947	\$ 5,472,952	\$ 103,995
Excess of revenue over (under) expenditures	\$ (1,268,050)	\$ (860,143)	\$ (678,525)	\$ 181,618
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 1,875,900	\$ 1,183,223	\$ 1,183,222	\$ (1)
Transfers out	(972,950)	(863,344)	(863,344)	
Gain from sale of capital assets			31,567	31,567
Total other financing sources (uses)	\$ 902,950	\$ 319,879	\$ 351,445	\$ 31,566

PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ (365,100)	\$ (540,264)	\$ (327,080)	\$ 213,184
Fund balances - beginning of year	907,841	907,841	907,841	
Fund balances - end of year	<u>\$ 542,741</u>	<u>\$ 367,577</u>	<u>\$ 580,761</u>	<u>\$ 213,184</u>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<u>SPECIAL REVENUE FUNDS</u>					<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>DRUG TASK FORCE</u>	<u>LIBRARY</u>	<u>PRICE CITY ECONOMIC VITALITY</u>	<u>REDEVELOP- MENT AGENCY</u>	<u>CAPITAL IMPROVE- MENTS</u>	
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ (14,651)	\$ 40,043	\$ 93,642	\$ 110,743	\$ 368,370	\$ 598,147
Investments - restricted	28,866					28,866
Due from other funds					60,000	60,000
Accounts receivable - miscellaneous	12,311	1,055	22,460		131,137	166,963
<b>Total assets</b>	<b>\$ 26,526</b>	<b>\$ 41,098</b>	<b>\$ 116,102</b>	<b>\$ 110,743</b>	<b>\$ 559,507</b>	<b>\$ 853,976</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ 588	\$ 2,734		\$ 107,528	\$ 204,722	\$ 315,572
Accrued liabilities	52	166				218
<b>Total liabilities</b>	<b>\$ 640</b>	<b>\$ 2,900</b>	<b>\$ ...</b>	<b>\$ 107,528</b>	<b>\$ 204,722</b>	<b>\$ 315,790</b>
Fund balances:						
Unreserved, reported in:						
Special revenue funds	\$ 25,886	\$ 38,198	\$ 116,102	\$ 3,215		\$ 183,401
Capital project funds					\$ 354,785	354,785
<b>Total fund balances</b>	<b>\$ 25,886</b>	<b>\$ 38,198</b>	<b>\$ 116,102</b>	<b>\$ 3,215</b>	<b>\$ 354,785</b>	<b>\$ 538,186</b>
<b>Total liabilities and fund balance</b>	<b>\$ 26,526</b>	<b>\$ 41,098</b>	<b>\$ 116,102</b>	<b>\$ 110,743</b>	<b>\$ 559,507</b>	<b>\$ 853,976</b>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	DRUG TASK FORCE	LIBRARY	REDEVELOP- MENT AGENCY	PRICE CITY ECONOMIC VITALITY	CAPITAL PROJECTS MAIN STREET	CDBG IMPROVE- MENTS	CAPITAL IMPROVE- MENTS		
REVENUES:									
Taxes									
Intergovernmental revenue	\$ 75,194	\$ 4,417	\$ 225,084				\$ 176,137	\$ 225,084	
Charges for services		12,689	3,000	\$ 1,673				258,748	
Fines and forfeitures	2,473							14,362	
Miscellaneous		533					1,705	2,473	
Investment earnings	691	494		1,785				2,238	
Total revenues	\$ 78,358	\$ 18,133	\$ 228,084	\$ 3,458	\$ ...	\$ ...	\$ 177,842	\$ 2,970	
EXPENDITURES:									
Public safety	\$ 145,595							\$ 505,875	
Highways and public improvements			\$ 228,047						
Parks, recreation, and public property		\$ 342,727		\$ 575				\$ 145,595	
Economic development								228,047	
Capital outlay								342,727	
Total expenditures	\$ 145,595	\$ 342,727	\$ 228,047	\$ 575	\$ ...	\$ ...	\$ 415,105	\$ 575	
Excess of revenues over (under) expenditures	\$ (67,237)	\$ (324,594)	\$ 37	\$ 2,883	\$ ...	\$ ...	\$ (237,263)	\$ 415,105	
Other financing sources (uses):									
Transfers in	\$ 58,070	\$ 328,660					\$ 160,914	\$ 547,644	
Transfers out								(10,372)	
Total other financing sources (uses)	\$ 58,070	\$ 328,660	\$ ...	\$ ...	\$ (8,816)	\$ (1,556)	\$ 160,914	\$ 537,272	
Excess of revenues and other sources over (under) expenditures and other uses	\$ (9,167)	\$ 4,066	\$ 37	\$ 2,883	\$ (8,816)	\$ (1,556)	\$ (76,349)	\$ (88,902)	
Fund Balances - Beginning of year	35,053	34,132	3,178	113,219	8,816	1,556	431,134	627,088	
Fund Balances - End of year	\$ 25,886	\$ 38,198	\$ 3,215	\$ 116,102	\$ ...	\$ ...	\$ 354,785	\$ 538,186	

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS		
	POOL FUND	PRICE COMMUNITY CENTER	TOTAL NONMAJOR BTA'S
<u><b>ASSETS</b></u>			
Current assets:			
Cash	\$ 159,754	\$ 68,766	\$ 228,520
Receivables - net miscellaneous	1,468	1,125	2,593
Total current assets	<u>\$ 161,222</u>	<u>\$ 69,891</u>	<u>\$ 231,113</u>
Noncurrent assets:			
Equipment, buildings and improvements	\$ 2,851,011	\$ 688,081	\$ 3,539,092
Less: Accumulated depreciation	(1,131,201)	(401,701)	(1,532,902)
Total noncurrent assets, net	<u>\$ 1,719,810</u>	<u>\$ 286,380</u>	<u>\$ 2,006,190</u>
Total assets	<u>\$ 1,881,032</u>	<u>\$ 356,271</u>	<u>\$ 2,237,303</u>
<u><b>LIABILITIES</b></u>			
Current liabilities:			
Vouchers payable	\$ 8,174	\$ 1,842	\$ 10,016
Interest payable	1,136		1,136
Accrued liabilities	229		229
Sales tax payable	3,139		3,139
Due to other funds	60,000		60,000
Capital lease payable - due within one year	14,040		14,040
Total current liabilities	<u>\$ 86,718</u>	<u>\$ 1,842</u>	<u>\$ 88,560</u>
Noncurrent liabilities:			
Compensated absences	\$ 4,161		\$ 4,161
Capital leases payable	44,960		44,960
Total noncurrent liabilities	<u>\$ 49,121</u>	<u>\$ -</u>	<u>\$ 49,121</u>
Total liabilities	<u>\$ 135,839</u>	<u>\$ 1,842</u>	<u>\$ 137,681</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,659,674	\$ 286,380	\$ 1,946,054
Unrestricted	85,519	68,049	153,568
Total net assets	<u>\$ 1,745,193</u>	<u>\$ 354,429</u>	<u>\$ 2,099,622</u>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS		
	POOL FUND	PRICE COMMUNITY CENTER	TOTAL NONMAJOR BTA'S
Operating revenues:			
Charges for sales and services	\$ 157,502	\$ 13,229	\$ 170,731
Total operating revenues	\$ 157,502	\$ 13,229	\$ 170,731
Operating expenses:			
Employee salaries	\$ 172,877		\$ 172,877
Employee benefits	49,065		49,065
Contractual services	8,916		8,916
Supplies	46,342		46,342
Utilities	120,125	\$ 18,245	138,370
Fuel and oil	198		198
Repairs and maintenance	39,416	2,159	41,575
Depreciation	116,937	16,111	133,048
Miscellaneous	1,105		1,105
Advertising	4,695		4,695
Rental	961		961
Total operating expenses	\$ 560,637	\$ 36,515	\$ 597,152
OPERATING INCOME (LOSS)	\$ (403,135)	\$ (23,286)	\$ (426,421)
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	\$ (1,136)		\$ (1,136)
Total nonoperating revenues (expenses)	\$ (1,136)	\$ ...	\$ (1,136)
Income (loss) before transfers	\$ (404,271)	\$ (23,286)	\$ (427,557)
Transfers In (Out):			
Transfers in	\$ 310,500	\$ 5,200	\$ 315,700
Change in net assets	\$ (93,771)	\$ (18,086)	\$ (111,857)
Total net assets - beginning of year	1,838,964	372,515	2,211,479
Total net assets - end of year	\$ 1,745,193	\$ 354,429	\$ 2,099,622

**SMUIN, RICH & MARSING**

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

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DOUGLAS RASMUSSEN, C.P.A.

**MEMBERS**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements Per-  
formed in Accordance With Government  
Auditing Standards

We have audited the financial statements of Price Municipal Corporation as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

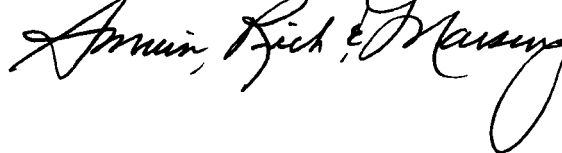
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin Rich & Marsing", written in black ink.

Price, Utah

September 20, 2005

# SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

RE: Auditors' Report on State  
Compliance for State Grants

We have audited the general purpose financial statements of Price Municipal Corporation for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road (Utah Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants that are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

State Grant (Department of Community and Economic Development)  
Pedestrian Safety Grant (Department of Community and Economic Development)  
Library Development Grant (Department of Community and Economic Development)  
LSTA Grant (Department of Community and Economic Development)  
Utah Arts Council Grant (Department of Community and Economic Development)  
CIB Grant (Department of Community and Economic Development)  
DUI Overtime Grant (Utah Highway Safety Department)  
Seat Belt Grant (Utah Highway Safety Department)  
UDOT Concrete Replacement (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation and
Cash Management	Property Tax Limitation
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Other General Issues
Liquor Law Enforcement	B & C Road Funds

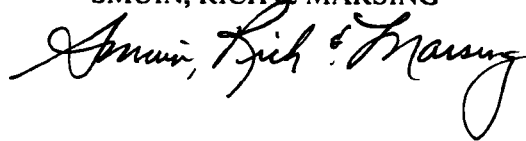
The management of Price Municipal Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Price Municipal Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written in dark ink.

Price, Utah

September 20, 2005

# SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Price Municipal Corporation for the year ended June 30, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

### Unfavorable Budget Variance

Utah law prohibits officers and employees of Cities to incur expenditures or encumbrances in excess of the total appropriations for budgets of the City. The City has overspent the following department in the current fiscal year:

#### Debt Service:

Principal	(\$62)
Interest	(23)

We recommend the City review the expenditures and encumbrances made, and compare against the adopted budgets, to determine if the budgets of the City are being overspent. Department directors need to evaluate the expenditures for their departments to ensure that budgets are not being over spent.

### *City's Response*

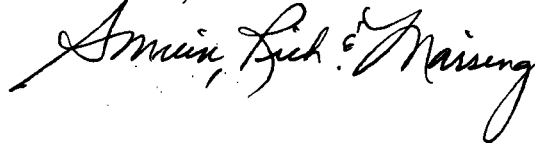
The City is very conscious of making sure all expenditures meet budgetary constraints. The unfavorable budget variances, in the Debt Service, were very minor and appear to be due to auditor accruing additional interest expense and allocation of expenditures between principal and interest. The City will continue to monitor expenditures as compared to budgets and make sure budgets are not over spent.

## SUMMARY

We feel the State Compliance issue mentioned above is an area where the City can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name.

Price, Utah

December 18, 2005